



How the Bank Secrecy Act Impacts You and Your Clients

June 28, 2005



Bank Secrecy Act

- Congress passed the BSA in 1970
- USA PATRIOT Act strengthened law
- Treasury delegated BSA responsibility to Financial Crimes Enforcement Network (FinCEN)
- Treasury delegated compliance responsibility to IRS



IRS BSA Program

- Identify non-bank financial institutions
- Conduct compliance examinations
- Provide education and outreach
- Possible criminal investigations

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Definition of MSB

A Money Services Business (MSB):

- Offers money orders, traveler's checks, check cashing, stored value, currency dealing and exchange, **and**
- Conducts more than \$1,000 with same person on same day
- All money transmitters are MSBs

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MSB Registration

- Use FinCEN Form 107
- MSB before 12/31/2001 – Register by 12/31/01
- MSB after 12/31/2001 – Register within 180 days from establishment
- Renew registration every two years



MSB Registration Exceptions

- Issuers, sellers, or redeemers of stored value cards
- Agents (with exceptions)
- Branch offices
- Post Office and Federal/State governments



Other MSB Requirements

- Currency Transaction Report (FinCEN Form 104)
- Suspicious Activity Report –SAR (TD F 90-22.56)
- Anti-Money Laundering Compliance Programs
- Potential penalties for noncompliance



Suspicious Activity Reports

- Potentially suspicious activity occurs
-and-
- Reporting thresholds are met

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Suspicious Activity Reports

- Source of funds from or conducted to disguise illegal activity
- Transaction designed to evade BSA requirements
- No known business or lawful purpose
- Use MSB to facilitate criminal activity



BSA Compliance Programs

Assess money laundering risks relative to an MSB's:

- Size and location
- Products or Services
- Volume

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BSA Compliance Programs

- Development of internal policies, procedures, and controls
- Designation of compliance officer
- Ongoing employee training program
- Independent audit function

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Questions?



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